



## Accounts Receivable Write-Offs

Lawrence Berkeley  
National Laboratory

Financial Policies and Procedures

Part II-Chapter 1.05

---

|                        |                                     |
|------------------------|-------------------------------------|
| Title:                 | Accounts Receivable Write-Offs      |
| Originally issued:     | February 28, 2005                   |
| Effective Date:        | April 28, 2005                      |
| Revision Number:       | 1                                   |
| Scheduled review date: | February 28, 2007 (every two years) |
| Primary contact:       | Manager, Accounts Receivable        |

---

### Summary

The purpose of this document is to provide the Laboratory policy and procedures for initiating write-offs on specific types of delinquent debts for accounts receivable.

### Policy

#### *Overview*

A write-off is an accounting procedure which removes receivables from the accounts of record in order to accurately portray their true economic value on the balance sheet.

To perform write-offs for delinquent receivables, the Laboratory complies with the accounting and debt collection criteria in the [Department of Energy \(DOE\) Accounting Handbook, Chapter 8, Receivables](#) and the directive in the Office of Management and Budget (OMB) that addresses accounts that are not collectible and their subsequent write-off ([Office of Management and Budget \(OMB\) Circular A-129, Section V, Delinquent Debt Collection](#)).

### Procedures

These procedures apply to all Laboratory receivables including work for others, work performed for other DOE entities, technology transfer funds-in agreements, and miscellaneous accounts receivable.

#### ***Criteria***

A write-off occurs when the Accounts Receivable Department determines that the opportunity for collecting the debt is minimal (less than 50%), but not longer than two years from the date of delinquency.

## **Financial Policies and Procedures Manual**

All debts must be adequately reserved for in the allowance account. All write-offs, as well as subsequent recoveries, must be made through the allowance account. Under no circumstances are debts to be written off directly to expense. The allowance should be established in the same fund as the original receivable and the general ledger allowance account associated with the original receivable.

Additionally, the Accounts Receivable Department will take aggressive collection actions to resolve delinquent debts between governmental entities.

### ***Approvals***

The write-off is initiated and approved by the Accounts Receivable Manager. Write-offs in excess of \$500 must be further reviewed and approved by DOE. Write-offs should contain appropriate supporting documentation and approvals.

Approval guidelines are as follows:

- ≤ \$500 - Accounts Receivable Manager
- > \$500 - DOE, Chicago Operations Office

### ***Delinquency Threshold***

DOE has determined that once a debt is over \$500 and is 120 days delinquent, it should be transferred to the U.S. Department of Treasury for further collection activities.

### ***Uncollectible Accounts***

The Accounts Receivable Department reviews the aging reports on a regular basis and initiates write-offs of non-federal accounts considered uncollectible.

- *Review uncollectible accounts and reserve for the allowance*

Prepare a Financial Management System (FMS) accounting entry to reserve for the allowance. The uncollectible invoice will still appear on the Accounts Receivable subledger or aging report. Costs are reinstated to DOE.

For example, if an uncollectible invoice is a debit balance the FMS accounting entry would be prepared as follows

|    | SGL  | Account Category | Account | Project ID | Dept   | MARS  | Fund | B&R       |
|----|------|------------------|---------|------------|--------|-------|------|-----------|
| DR | 8132 | Direct Expense   | 616000  | 350101     | OP     | OPEXP | XX   | YN0100000 |
| CR | 1517 | Allowance        | 131917  | no project | CFOBAL | 73BAL | XX   |           |

- *Write-off uncollectible receivables that are under \$500 and the U.S. Department of Treasury is unable to collect*

## **Financial Policies and Procedures Manual**

- Reverse allowance accounting entry from above.
- Note the award numbers of delinquent receivables for write-off and write down the Project IDs using the most current Reimbursable Work Funding and Cost (737) Report.
- If the projects are passed the period of performance, notify the Sponsored Projects Office (SPO) and the Budget Office to request the respective awards numbers to be put on hold and projects to be opened.
- Prepare a resource adjustment/journal entry to move costs out of the respective awards/projects to be written off. This process will create an offset transaction (credit memo) on the aging report.

Resource adjustment example:

|    | SGL  | Account Category | Account | Project ID | Dept | MARS  | Fund | B&R       |
|----|------|------------------|---------|------------|------|-------|------|-----------|
| DR | 1517 | Direct Expense   | 616000  | 350101     | OP   | OPEXP | WA   | YN0100000 |
| CR | 8132 | Project Cost     | 616000  | Project    | XX   | OPEXP | XX   | Cost B&R  |

Credit memo example:

DR 8132 Project Cost  
CR 1411 Accounts Receivable

|    | SGL  | Account Category    | Account | Project ID | Dept | MARS  | Fund | B&R       |
|----|------|---------------------|---------|------------|------|-------|------|-----------|
| DR | 1411 | Accounts Receivable | 616000  | 350101     | OP   | OPEXP | WA   | YN0100000 |
| CR | 8132 | Project Cost        | 616000  | Project    | XX   | OPEXP | XX   | Cost B&R  |

- Submit resource adjustment to the Accounts Receivable Manager for approval and validation. After approval, notify SPO and the Budget Office that the resource adjustment is completed so the awards and projects can be closed.
- A worksheet will be created in the accounting system to match the uncollectible invoice to the offset transaction, so both open items can be removed from the aging report.

## **Financial Policies and Procedures Manual**

### ***Subsequent Recoveries***

Upon receipt of a collection against a written-off receivable, the Accounts Receivable Department reestablishes the account for the amount of the collection. The collection is then processed in the same manner as it would have been if the receivable had never been written off.

### ***Delinquent Receivables Over Two Years Old***

[Office of Management and Budget \(OMB\) Circular A-129, Section V](#) provides that Federal agencies write-off delinquent debts over two years old.

### **References**

LBNL Financial Policies & Procedures, Part II, Chapter 1.07, *Allowance for Loss on Accounts Receivable*.

[DOE Accounting Handbook, Chapter 8, Receivables](#)

### **Glossary**

***Write-off:*** An accounting procedure that removes an item from the accounts of record in order to accurately portray the true economic value on the balance sheet.